

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 IO-11 ISO-00 CIAE-00 PM-04 H-02 INR-07

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SAM-01 COME-00 EB-07 LAB-04 SIL-01 /089 W

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R 121545Z FEB 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5996

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMCONSUL OPORTO

AMEMBASSY OSLO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 964

E.O. 11652: XGDS-4

TAGS: ELAB, PINT, PO

SUBJ: MINISTER OF LABOR ON UNION SITUATION AND
TRAINING PROPOSAL

REF: (A) LISBON 962 (DTG 121543Z FEB 76)(NOTAL) (B) LISBON
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JAN 76), (D) LISBON 897 (DTG 101219Z FEB 76)

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SUMMARY: THIS IS PART TWO OF A TWO PART MESSAGE. THE FIRST SECTION (REF A) DEALT WITH THE MINISTER'S ASSESSMENT OF THE PORTUGUESE POLITICAL SITUATION. MINISTER STATED THAT GOVERNMENT PLANNED TO RETURN 300 BUSINESSES, OCCUPIED BY WORKERS, TO THEIR OWNERS. IT ALSO MAY PERMIT THE RE-ESTABLISHMENT OF A PRIVATELY-OWNED BANKING SECTOR, PARALLEL TO THE STATE-OWNED BANKS. THE MINISTER RECOMMENDED AGAINST DIRECT U.S. IDENTIFICATION WITH ANY LABOR TRAINING PROGRAM "AT PRESENT" AND DISCUSSED FEASIBILITY -- AND NON-FEASIBILITY -- OF VARIOUS STRATEGIES TO UNDERMINE PCP-CONTROL OF INTERSINDICAL. END SUMMARY.

1. MINISTER OF LABOR TOMAS ROSA MET WITH LABATT FEB 11. FOLLOWING SUMMARIES HIGHLIGHTS OF MINISTER'S COMMENTS ON LABOR AFFAIRS.

2. ACTION AGAINST WORKERS' OCCUPATIONS: THE MINISTER REFERRED TO THE SITUATION OF THE WORKERS COMMISSIONS WHICH TOOK OVER MANY PRIVATE BUSINESSES DURING EARLY REVOLUTIONARY FERVOR, EXPELLING THE OWNERS AND TURNING THE ENTERPRISES INTO WORKERS "COOPERATIVES." HE SAID EXPERIENCE SHOWS THAT THE WORKERS COMMISSIONS ARE NOT ABLE TO RUN MOST OF THE BUSINESSES SUCCESSFULLY. THE GOVERNMENT FEARS THAT IT WILL EVENTUALLY BE STUCK WITH THE MANAGEMENT OF A MULTITUDE OF SMALL RETAIL STORES WHEN THESE FIRMS FALL INTO DEFAULT TO THE NATIONALIZED BANKING SYSTEM. CONSEQUENTLY IT HAS DECIDED TO RETURN TO THEIR OWNERS SOME 300 SMALL AND MEDIUM BUSINESSES TAKEN OVER BY WORKERS. THE CURRENT INSTANCES OF THE TEXTILE FIRM MANUEL GONCALVES AND A LISBON SUPERMARKET, WHERE THE LEGAL MANagements HAVE BEEN REINSTATED, ARE TESTS OF PUBLIC REACTION TO SUCH A MOVE.

3. THE MINISTER SAID THE GOVERNMENT PLANNED TO RESTORE TO PRIVATE MANAGEMENT AS MANY OF THE 300 FIRMS AS POSSIBLE PRIOR TO THE LEGISLATIVE ELECTIONS SCHEDULED FOR APRIL 25. HE NOTED THAT SOCIALIST PARTY LEADERS, WHILE FAVORING THE RETURN, WERE FEARFUL OF A NEGATIVE VOTER BACKLASH. CONSEQUENTLY HE, AS MINISTER OF LABOR, WOULD ACCEPT RES-

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PONSIBILITY FOR THE ACTION IN ORDER NOT TO PREJUDICE THE SOCIALISTS' CHANCES.

4. CREATION OF PRIVATE BANKING STRUCTURE? THE MINISTER NOTED THAT EVEN LARGER BUSINESSES WERE USUALLY MORE PRODUCTIVE UNDER PRIVATE MANAGEMENT THAN WHEN NATIONALIZED. HOWEVER, POLITICAL FACTORS WERE COMPELLING WHEN DEALING WITH THE CASES OF MAJOR BUSINESS ENTER-

PRISES WHICH IN PAST HAD DOMINATED THE ECONOMY. HE SUGGESTED, HOWEVER, THAT PRESENT NATIONALIZED BANKING STRUCTURE MAY BE MODIFIED. GOVERNMENT-OWNED BANKS MAY BE CREATED TO DEAL WITH VARIOUS ECONOMIC SECTORS, E.G., AGRICULTURE, HOUSING, FOREIGN COMMERCE. CONCURRENTLY, PROVISION MAY BE MADE FOR THE OPERATION OF A PARALLEL PRIVATELY-OWNED BANKING STRUCTURE TO SUPPLEMENT THE GOVERNMENT'S BANKS. A SIMILAR ARRANGEMENT MIGHT BE CREATED FOR THE INSURANCE INDUSTRY BUT THIS IS EVEN LESS CERTAIN.

4. UNION SITUATIONS: TRANSPORT WORKERS: THE MINISTER STATED THAT SUBSTANTIAL PROGRESS HAD BEEN MADE IN REGARD TO THE IMPORTANT ROAD TRANSPORT WORKERS' FEDERATION. SOCIALIST-LED OPPOSITION TO THE FEDERATION'S PCP-CONTROLLED LEADERSHIP HAD BEEN ORGANIZED IN EVERY DISTRICT EXCEPT LISBON AND BRAGA. HE EXPECTED THIS OPPOSITION TO BECOME PUBLIC WITHIN A WEEK.

5. CONSTRUCTION WORKERS: WITH REGARD TO THE LISBON CIVIL CONSTRUCTION WORKERS, HE NOTED THAT ELECTIONS WERE SCHEDULED FOR FEB 12. THE COMMUNIST LEADERSHIP OF THE UNION HAD ARBITRARILY PREVENTED THE SOCIALIST SLATE FROM APPEARING ON THE BALLOT. ROSA SAID HE WAS MEETING THAT AFTERNOON (FEB 11) WITH THE SOCIALIST FACTION TO DECIDE WHETHER TO CANCEL THE ELECTIONS BY OFFICIAL DECREE OR LET THEM PROCEED AND IMPUGN THEM LATER BY JUDICIAL ACTION. ROSA THOUGHT THE BLATANT POWER PLAY BY THE PRESENT LEADERSHIP WOULD HURT IT WITH THE WORKERS. HE NOTED THAT SOCIALISTS ARE CAPTURING CONTROL OF THE WORKERS' COMMISSIONS IN NUMEROUS CONSTRUCTION FIRMS, EXPELLING THE COMMUNISTS. HE INDICATED IT WOULD PROBABLY BE MORE PRODUCTIVE TO LET EVENTS CONTINUE THEIR CURRENT

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COURSE, AND IMPUGN THE ELECTIONS LATER, RATHER THAN HAVE THE MINISTRY MAKE AN OFFICIAL MOVE AGAINST THE UNION AT THIS TIME.

6. GRAPHIC WORKERS: ROSA NOTED THAT THE MINISTRY HAD TAKEN LEGAL ACTION TO DISBAND THE PCP-CONTROLLED GRAPHIC WORKERS' UNION IN AVEIRO AS IT HAD NOT COMPLIED WITH LEGAL ELECTION AND REGISTRATION REQUIREMENTS.

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AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY MOSCOW

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7. COMMERCIAL WORKERS: WITH REGARD TO THE ONE DAY
LISBON COMMERCIAL WORKERS STRIKE CALLED FOR FEB 11, THE
MINISTER SAID EARLY REPORTS INDICATED IT WAS FROM 20
TO 30 PER CENT EFFECTIVE. HE LAID FULL BLAME FOR THE
STRIKE ON PRESIDENT COSTA GOMES AND THE PRIME MINISTER,
WHO ON ONE HAND HAD SIGNED A DECREE PROHIBITING COL-
LECTIVE BARGAINING NEGOTIATIONS UNTIL MARCH 1, AND WHO
LATER TOLD THE UNION THEY SAW NO REASON WHY NEGOTIATIONS
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SHOULD NOT BEGIN IMMEDIATELY. ROSA SAID HE DOES NOT CARE

THAT THE PRESIDENT IS MADE TO LOOK FOOLISH BY ANNOUNCEMENTS PUBLISHED BY THE RETAIL MERCHANTS ASSOCIATION REPRODUCING THE LAW WITH COSTA GOMES'S SIGNATURE. HOWEVER, THIS IS ONE OF THE FEW INSTANCES WHEN HE HAS BEEN DISAPPOINTED BY PRIME MINISTER PINHEIRO DE AZEVEDO, WHOM HE WOULD LIKE TO SEE BECOME PRESIDENT.

8. EFFORTS TO REMOVE COMMUNISTS FROM MINISTRY: ROSA NOTED HE HAD ALREADY REMOVED THE MINISTRY'S REGIONAL LABOR DELEGATES IN BRAGANCA, VISEU, COIMBRA, OPORTO, VIANA DO CASTELLO, AND SEVERAL OTHER DISTRICTS. HE PLANNED TO REMOVE THE DELEGATE IN AVEIRO SOON. THE LABOR DELEGATE IN SANTAREM HAD BEEN REMOVED AS ROSA'S PART OF AN UNDERSTANDING HE HAD REACHED WITH THE CONFEDERATION OF FARMERS (CAP). HE HAD ALSO REMOVED THE DEPUTY LABOR DELEGATE IN BEJA DISTRICT WHO HAD BEEN ACTIVE IN FOMENTING FARM TAKEOVERS BY AGRICULTURAL WORKERS. THE CURRENTLY VACANT DEPUTY LABOR DELEGATE POSTS IN SETUBAL AND ALMADA WOULD BE FILLED WITH LEFT-WING SOCIALISTS IN RECOGNITION OF THE LEFTIST ORIENTATION OF THE WORKERS THERE.

9. LABATT SUGGESTED THAT CONTINUING VEHEMENT ATTACK AGAINST ROSA AND THE MINISTRY IN THE COMMUNIST-LINE PRESS IS EVIDENCE OF EFFECTIVENESS OF HIS RECENT ACTIONS. ROSA AGREED AND NOTED THAT ATTACKS ALSO UNDERLINED HIS NEED FOR GOOD POLITICAL JUDGEMENT.

10. LABOR TRAINING: IN A GENERALIZED DISCUSSION OF THE NEED FOR TRAINED LABOR LEADERS, ROSA INDICATED HIS INTENTION THAT THE MINISTRY SHOULD ESTABLISH DIRECT TIES TO THE ICFTU-SUPPORTED CENTER FOR SYNDICAL STUDIES (CES). THIS CONTACT WOULD BE MADE BY JULIO DIAS, WHO IS IN CHARGE OF MINISTRY'S OFFICE OF RELATIONS WITH LABOR ORGANIZATIONS.

11. THE MINISTER THOUGHT THAT "IT IS STILL TOO EARLY" FOR ANY IDENTIFIABLY U.S. LABOR ORGANIZATIONS TO WORK SUCCESSFULLY IN PORTUGAL. THIS INCLUDED INDIVIDUAL VISITS BY U.S. LABOR FIGURES. HOWEVER, U.S. LABOR OFFICIALS WHO ARRIVED IN PORTUGAL AS A PART OF AN INTERNATIONAL CONFIDENTIAL

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DELEGATION WOULD BE WELCOME AND WOULD NOT PLACE THEIR PORTUGUESE HOSTS IN AN EMBARRASSING SITUATION.

12. REMOVAL OF LEGAL RECOGNITION FROM INTERSINDICAL: ROSA STATED THAT THERE ARE ENOUGH VOTES WITHIN THE REVOLUTIONARY COUNCIL TO REMOVE BY DECREE INTERSINDICAL'S LEGAL STATUS AS PORTUGAL'S RECOGNIZED LABOR CONFEDERATION. HOWEVER, PRESIDENT COSTA GOMES IS OPPOSED TO

THE ISSUANCE OF SUCH A DECREE. IN ADDITION, SUCH A MOVE PRIOR TO THE ELECTIONS WOULD INEVITABLY GENERATE A REACTION FAVORABLE TO THE PCP (REF C, PARA 7). AMPLE GROUNDS ALSO EXIST FOR JUDICIAL ACTION TO IMPGUN INTER-SINDICAL'S LEGAL STATUS. THE EFFECT OF SUCH A COURT ORDER WOULD BE NIL, HOWEVER, AND THE CURRENT SITUATION WOULD NOT BE ALTERED BY SUCH A RULING. THE MINISTER SAID IT IS PROBABLY BEST TO LET THE CURRENT GROUNDSWELL OF WORKER OPPOSITION TO INTERSINDICAL CONTINUE TO RISE SO THAT WHEN GOVERNMENT MOVES IT WILL SEEM A NAUTRAL REACTION TO WORKER PRESSURE.

13. COMMENT: MINISTER ROSA IS PROBABLY CORRECT ABOUT THE GROUNDSWELL OF OPPOSITION TO INTERSINDICAL. SEVERAL RECENT UNION ELECTIONS PROVIDED FURTHER REVERSES TO THE COMMUNISTS. HOWEVER, EMBASSY BELIEVES ROSA MAY BE SOMEWHAT OPTIMISTIC IN HIS ASSESSMENT AND THAT CURRENT FAVORABLE TREND IN LABOR AFFAIRS COULD BE REVERSED BY SERIES OF RELATIVELY MINOR EVENTS.

FOR EXAMPLE, MINISTRY'S OFFICE FOR RELATIONS WITH WORKERS' ORGANIZATIONS HAS BEEN STRONGLY CONTESTED BY PRO-INTER-SINDICAL UNIONS AND ITS DEGREE OF EFFECTIVENESS IS STILL TO BE DETERMINED. IN ADDITION, THE PCP-CONTROLLED METALLURGICAL WORKERS' FEDERATION HAS ANNOUNCED A SECOND SERIES OF SEVEN SEMINARS, EACH LASTING ONE WEEK, TO BE HELD DURING NEXT TWO MONTHS. DEMOCRATICALLY-ORIENTED LABOR SEMINARS BY THE ICFTU AND INTERNATIONAL TRADE SECRETARIATS ARE NEEDED SOON AND OFTEN.

14. ROSA'S COMMENTS ON CREATION OF PRIVATE BANKING STRUCTURE TO SUPPLEMENT GOVERNMENT BANKS ARE VERY SIMILAR TO COMMENTS MADE BY SOARES TO THE AMBASSADOR ON FEB. 9. CARLUCCI
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